

Message Text

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ORIGIN EB-08

INFO OCT-01 EA-12 ISO-00 CAB-05 CIAE-00 COME-00
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FM SECSTATE WASHDC
TO AMEMBASSY CANBERRA IMMEDIATE

UNCLAS STATE 004017

E.O. 11652: N/A

TAGS: EAIR, AS

SUBJECT: MINISTERIAL VISIT: REQUEST FOR INFORMATION ON
DEREGULATION

REF: CANBERRA 00099

1. ADMINISTRATION, CAB, AND SEVERAL KEY FIGURES IN THE CONGRESS HAVE JOINED ACADEMIC AND CONSUMER GROUPS IN PROPOSING VERY SUBSTANTIAL REDUCTION IN THE DEGREE OF ECONOMIC REGULATION OF AIR TRANSPORTATION IN THE US, WITH A CORRESPONDING INCREASE IN THE DEGREE OF RELIANCE UPON COMPETITION TO PROVIDE MORE EFFICIENT, RESPONSIVE AIR TRANSPORTATION SYSTEM. A BILL WHICH ESSENTIALLY REMOVES THE DOMESTIC AIR CARGO INDUSTRY FROM ECONOMIC REGULATION, EXCEPT FOR CONVENTIONAL ANTI-TRUST POLICEING OF ANTI-COMPETITIVE BEHAVIOR HAS JUST BEEN ENACTED. THE SENATE SUBCOMMITTEE ON AVIATION HAS REPORTED FAVORABLY A BILL TO SUBSTANTIALLY REDUCE ECONOMIC REGULATION OF THE
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ENTIRE DOMESTIC AIR TRANSPORTATION INDUSTRY, AND IT HAS THE STRONG SUPPORT OF THE ADMINISTRATION, AND CAB. THE BILL WOULD SPECIFY MORE LIBERAL STANDARDS FOR ROUTE AWARDS,

ALLOW EASIER ENTRY INTO PARTICULAR CATEGORIES OF ROUTES BY CARRIERS FOUND TO BE FIT, WILLING AND ABLE TO PERFORM SUCH TRANSPORTATION, PERMIT FREE PRICING WITHIN A RATHER

BROAD ZONE, REQUIRE THE BOARD TO CONFORM TO STRICT ANTI-TRUST STANDARDS IN RULING ON MERGERS AND AGREEMENTS, MODERNIZE THE SYSTEM FOR SUBSIDIZING AIR SERVICE TO SMALL COMMUNITIES, AND STREAMLINE REGULATORY PROCEDURES.

2. SEVERAL REGULATORY REFORM BILLS HAVE BEEN INTRODUCED INTO HOUSE; HOUSE AVIATION SUBCOMMITTEE HAS HELD HEARINGS. NO BILL HAS YET BEEN REPORTED OUT OF COMMITTEE IN HOUSE, HOWEVER. CURRENT CONJECTURE IS THAT BOTH SENATE AND HOUSE MAY VOTE ON RESPECTIVE BILLS IN SPRING, WITH EMERGENCE OF AGREED BILL IN CONFERENCE AND FINAL ENACTMENT POSSIBLY BY SUMMER.

3. WHILE EXISTING REGULATORY REFORM LEGISLATIVE PROPOSALS DO NOT DEAL WITH INTERNATIONAL AIR TRANSPORTATION, THE SENATE IS EXPECTED TO HAVE HEARINGS ON INTERNATIONAL AIR TRANSPORTATION IN A MONTH OR TWO, AND THE CAB AND ADMINISTRATION ARE APPLYING NEW POLICIES WHICH ENCOURAGE MORE COMPETITION AND LOWER PRICES ON INTERNATIONAL ROUTES. CHRISTOPHER

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